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# The Commonwealth of Massachusetts

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INDEPENDENT STATE AUDITOR'S REPORT ON  
CERTAIN ACTIVITIES OF THE  
AMHERST HOUSING AUTHORITY  
APRIL 1, 2002 TO JUNE 30, 2004

OFFICIAL AUDIT  
REPORT  
MARCH 7, 2005



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**INTRODUCTION****1**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Amherst Housing Authority for the period April 1, 2002 to June 30, 2004. The objectives of our audit were to assess (1) the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs and (2) its compliance with laws, rules, and regulations applicable to each program. Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 27-month period ended June 30, 2004, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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**AUDIT RESULTS****3**

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**IMPROVEMENTS NEEDED OVER THE AUTHORIZATION AND DOCUMENTATION OF PAYROLL RECORDS**

Our review of the Authority's payroll records revealed that weekly employee timesheets are not reviewed or quality-checked for mathematical accuracy on a timely basis. We also found mathematical errors in the attendance records that resulted in over- or under-accrual of sick time, vacation time, and compensatory time. Without timely approved and accurate payroll records, the Authority cannot be assured that its employees are entitled to the pay received or leave taken.



## INTRODUCTION

### ***Audit Scope, Objectives, and Methodology***

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Amherst Housing Authority for the period April 1, 2002 to June 30, 2004. The objectives of our audit were to assess (1) the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs and (2) its compliance with laws, rules, and regulations applicable to each program.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included audit tests and procedures that we considered necessary.

To achieve our audit objectives, we reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with Department of Housing and Community Development (DHCD) regulations
- Vacancy records to determine whether the Authority adhered to DHCD's procedures for preparing and filling vacant housing units
- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations
- Accounts receivable procedures to verify that rent collections were timely and that uncollectible tenant accounts receivable balances were written off properly
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and determine whether selected housing units were in safe and sanitary condition
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD requirements
- Contract-procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts
- Cash-management and investment policies and practices to verify that the Authority maximized its interest income and its deposits were fully insured



- DHCD-approved operating budgets for the fiscal year in comparison with actual expenditures to determine whether line-item and total amounts by housing program were within budgetary limits and whether required fiscal reports were submitted to DHCD in a complete, accurate, and timely manner
- Operating reserve accounts to substantiate that the Authority's reserves fell within DHCD's provisions for maximum and minimum allowable amounts and to verify the level of need for operating subsidies to determine whether the amount earned was consistent with the amount received from DHCD
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with the contract provisions and whether rental charges by landlords were consistent with established rules and regulations
- Modernization awards to verify that contracts were awarded properly and funds were received and disbursed in accordance with the contracts, and to determine the existence of any excess funds

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 27-month period ended June 30, 2004, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.





## AUDIT RESULTS

### IMPROVEMENTS NEEDED OVER THE AUTHORIZATION AND DOCUMENTATION OF PAYROLL RECORDS

During our prior audit, we found weaknesses in the Authority's payroll authorization and documentation that we discussed with the Executive Director as exceptions. The Executive Director stated, at the time, that supervisor approvals over timesheets and attendance sheets would be instituted. Our current review found that this issue must still be addressed. Our audit test of Authority timesheets for April, May, and June 2004 determined that employee timesheets for those months had not been approved as of November 1, 2004. We had been informed during our prior audit that approvals would be performed on a weekly basis. In addition, our current review found weaknesses in other payroll records that may have been prevented had weekly approvals been performed. Specifically, we found mathematical errors in attendance records that resulted in over- or under-accrual of sick, vacation, and compensatory time.

We performed tests of the payroll records for four Authority employees, including the Executive Director, for April, May, and June 2004. The tests included verifying payroll deductions, examining quarterly and annual federal and state payroll tax reporting, and checking time and attendance forms for accuracy. We noted that employees submit self-prepared time and attendance forms and timesheets on a weekly basis. We also noted that employees tabulate their own accruals for sick and vacation leave and compensatory benefits. However, these self-prepared calculations were not reviewed and approved by management until six months later.

Without timely approved and accurate payroll records, the Authority cannot be assured that its employees are entitled to the pay received and leave taken.

We also noted that the Executive Director does not report her work hours on the daily timesheet forms. Therefore, we were unable to confirm whether the Executive Director works 37.5 minimum hours per week as required by a DHCD memorandum dated May 1, 2000. That memo states, in part, "daily time sheets and attendance records for executive directors [shall] be maintained at the LHA [local housing authority] office for review by the Board, DHCD, and the Office of the State Auditor." We further noted that the Authority and the Hampshire County Regional Housing Authority (HCRHA) had entered into a contract for Executive Director services on September 1, 1998, requiring the Executive Director of the Authority to have regular



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hours at the HCRHA office once a month; however, we could not confirm whether she maintained those hours.

DHCD's Accounting Manual, Section 15 (I), requires formal attendance reports with which to prepare payroll and maintain adequate control over each employee's annual, personal, and paid leave as well as overtime and holiday work. Section 15 (I) also states, in part: "If the personnel policy of the Local Authority provides for the accrual of annual and sick leave for employees, a record of all leave earned and taken must be maintained for each employee." It also states that "the type of payroll and leave records maintained will depend upon the requirements of the personnel policies adopted by the Local Authority's governing body." We found that the Authority's personnel policies were silent on the issue of supervisory approval. The absence of a specific payroll policy has resulted in the broadest interpretation of the minimum requirements.

### ***Recommendation***

The Authority should improve oversight controls over its payroll records by (1) requiring that employee attendance records be prepared, reviewed, and approved in a timely manner; (2) adopting procedures to ensure that all employee time records and accrued benefit records are adequately documented to substantiate employees' work hours and leave time for each pay period; and (3) reviewing and updating the Authority's payroll policies to include, at a minimum, a policy that requires timely supervisory approval of all employee time records and accrued benefit records.

### ***Auditee Response***

No employee received pay or took leave during the audit period that he/she had not earned.

- The report covered the period of April 1, 2002 through June 30, 2004 for a total of 27 months. Payroll records for 24 of those months were reviewed, quality checked, and signed by both employee and supervisor. The auditors did not find any mathematical errors that led to over or under accrual of sick time, vacation time, compensatory time of pay.
- At the time of the audit, payroll records for the months of April, May and June 2004 had not been reviewed and approved by supervisors. Any mathematical errors found by the auditor were those made by the employee. As part of our normal



procedure, supervisory review and approval of these records corrected any and all employee mathematical errors. They were minor in nature.

- The Contract for Executive Director services between the Amherst Housing Authority and Hampshire County Regional Housing Authority does not require that specific time records be maintained. Both Housing Authority Boards and DHCD approved this contract.

The Executive Director is currently reviewing employee time and accrual records used by other Housing Authorities. Upon completion of her review, a new record system will be presented to the AHA Board of Commissioners for approval at their March 2005 meeting. This system will include computerized spreadsheets for leave accrual, revised time and attendance forms, and guidelines for supervisory approval based on payroll periods.

### **Auditor's Reply**

Our review of Authority payroll records consisted solely of the months of April, May and June 2004. We did not review payroll records for the entire 27-month audit period. As noted in the audit result, our audit review found mathematical errors in the 3 months of attendance records tested that resulted in over- or under- accrual of sick, vacation, and compensatory time. Furthermore, Executive Directors are required to maintain daily timesheets and attendance records as per a DHCD memorandum dated May 1, 2000.

The Authority's plans to establish a new employee time and accrual system that includes computerized spreadsheets for leave accrual, revised time and attendance forms, and guidelines for supervisory approval should serve to address the weaknesses noted in the Authority's payroll records, particularly if the supervisory approvals are done on a timely basis.





